

**CITY OF CASTLE ROCK**  
**Cowlitz County, Washington**  
**Special Audit**  
**January 1, 1991 Through March 31, 1994**

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**Schedule Of Findings**

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1. Public Funds Were Misappropriated And Public Records Were Falsified

Our audit of the financial records of the City of Castle Rock revealed that at least \$9,191.30 in public funds was misappropriated by Jim Hubbard, Emergency Services Director, during the period January 1, 1991, through March 31, 1994. Records were falsified to perpetrate these losses. There were no federal funds involved in this case. These funds were misappropriated as described below:

- a. Billings submitted to the City of Castle Rock by the Castle Rock/Toutle Ambulance Association (CRTAA) included charges for services which were not performed by Mr. Hubbard. CRTAA volunteers normally respond to emergency calls after city working hours (8:00 AM to 5:00 PM Monday through Friday). Volunteers are paid a stipend of \$5.00 per call plus mileage. CRTAA Administrator, Jim Hubbard falsely billed the city for a minimum of 51 emergency calls for himself when he was not actually a member of the emergency response crew. These billings totaled at least \$1,333.34 during the period January 1, 1991, through March 31, 1994.
- b. Mr. Hubbard also received cash compensation from CRTAA as a volunteer during times when he was on duty as a full-time city employee. The city reimbursed CRTAA \$3,957.96 for services Mr. Hubbard performed on city time during the period January 1, 1991, through March 31, 1994.
- c. Mr. Hubbard was also overpaid an additional \$100 per month in cash for CRTAA administrative services performed on city time. This amounted to \$3,900 during the period January 1, 1991, through March 31, 1994.

RCW 9A.56.030 states:

- (1) A person is guilty of theft in the first degree if he commits theft of:
  - (a) Property or services which exceed(s) one thousand five hundred dollars in value; or
  - (b) Property of any value taken from the person of another.
- (2) Theft in the first degree is a class B felony.

RCW 42.20.010 states in part:

Every public officer who shall )

(1) Ask or receive, directly or indirectly, any compensation, gratuity, or reward . . . for any official service which has not been actually rendered . . .

(3) Employ or use any person, money, or property under his official control or direction, or in his official custody, for the private benefit or gain of himself or another;

Shall be guilty of a gross misdemeanor . . . .

RCW 42.24.110 states:

Any person who knowingly approves or pays or causes to be approved or paid a false or untrue claim shall be guilty of a gross misdemeanor and, in addition, he shall be civilly liable on his bond to the municipal corporation or political subdivision, as the case may be, for the amount so paid or for three hundred dollars whichever is the greater.

RCW 9A.20.021 states in part:

(1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following . . .

(b) For a class B felony, by confinement in a state correctional institution for a term of ten years, or by a fine in an amount fixed by the court of twenty thousand dollars or both such confinement and fine;

(c) For a class C felony, by confinement in a state correctional institution for five years, or by a fine in an amount fixed by the court of ten thousand dollars, or by both such confinement and fine.

(2) Gross misdemeanor. Every person convicted of a gross misdemeanor defined in Title 9A RCW shall be punished by imprisonment in the county jail for a maximum term fixed by the court of not more than one year, or by a fine in an amount fixed by the court of not more than five thousand dollars, or by both such imprisonment and fine . . . .

The following internal control weaknesses allowed these losses to occur and not be detected promptly by city management officials. There was an inadequate segregation of duties. Mr. Hubbard was simultaneously acting as both a city employee and an employee of CRTAA. He prepared and approved association billings to the city while acting as a CRTAA administrator. This included his own billings to the city for calls and mileage when he was a member of the volunteer ambulance crew. He also submitted and approved these billings on behalf of the city while acting as the emergency services director. Thus, Mr Hubbard was able to circumvent the city's internal control procedures for disbursement transactions.

We recommend the city seek recovery of the misappropriated \$9,191.30 and related

audit/investigation costs from their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Cowlitz County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for the emergency services director is as follows:

AWC RMSA Insurance Pool  
I.T.T. Hartford Insurance Co.  
Fidelity and Faithful Performance Bond  
No. JK9375  
\$250,000  
Membership: 1989 to Present

We also recommend the city:

- a. Carefully review the documentation for all CRTAA billings to ensure that the services have been performed and are legitimate city costs.
- b. Notify the insurance bonding company of this loss of funds.